

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Contract Administration 3.1	EFFECTIVE DATE: 3/9/87
TITLE: Prepayment Criteria--Aids to Organizations and Local Assistance Contracts/Grants	REVISION DATE: 10/31/92
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BACKGROUND

Wisconsin Statute 46.036 allows payments to vendors for current month operational costs prior to receipt of reimbursement requests. The payment amount is limited to one month's estimated expenses assuming equal expenses over the life of the contract (1/12 of the annual contract amount, for example). The intent of this language is to assist vendors in cash flow without allowing excess state funds to accumulate with the vendor.

Because s. 46.036 covers only contracts which purchase care or services for Department clients, many aid contracts/grants administered throughout the department do not fall under the criteria of this statute. However, no other written prepayment guidelines currently exist to cover aid contracts/grants not subject to s. 46.036. This policy defines prepayment criteria for those aid contracts/grants. This policy is needed to comply with federal cash management requirements and to prevent the excess state funds retained by the provider.

POLICY

For aid contracts/grants which exceed \$2000, the Department shall not agree to make monthly prepayments which are greater than one month's estimated allowable costs under the contract/grant. Normally, the prepayment amount will be equal to the contract/grant amount divided by the number of months in the award, since vendors are assumed to incur expenses evenly during the life of the contract. For aid contracts/grants under \$2000, the prepayment may be up to the contract level and is not limited to one month's estimated costs.

A maximum of three monthly prepayments may be made, with subsequent payments made on the basis of reimbursement requests received from the vendor. Approval from the Director of the Bureau of Fiscal Services is required to waive the three-month maximum.

In instances where the projected expenditure pattern is not evenly distributed during the life of the contract, documentation to that effect must be included in prepayment requests submitted to the Bureau of Fiscal Services. Acceptable documentation must identify the estimated spending pattern, by month, over the entire contract period.

A reconciliation of payments to reimbursable costs as reported by the vendor should take place within the time frame of closing out the accounting contract year. As a general rule, final reimbursement reports should be required from the vendor within 90 days after the end date of the contract/grant and the reconciliation completed within 30 days after receipt of the final report. Cash adjustments should be made within 30 days of reconciliation.

REFERENCE

Wisconsin Statutes, section 46.036

CONTRACT ADMINISTRATION 3.0 (Review of Contract Financial Provisions)

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